

**2003 ANNUAL REPORT ON
CONSUMER ASSISTANCE**



**MAINE PUBLIC UTILITIES COMMISSION
CONSUMER ASSISTANCE DIVISION**

ANNUAL REPORT ON CONSUMER ASSISTANCE 2003

**Consumer Assistance Division
Maine Public Utilities Commission**

**242 State Street
18 State House Station
Augusta, ME 04333-0018**

**800/452-4699
207/287-3831
800/457-1220 (TTY)
207/287-1039 (Fax)**

**maine.puc@maine.gov
www.state.me.us/mpuc**

TABLE OF CONTENTS

| | |
|---|----|
| I. INTRODUCTION | 1 |
| II. THE YEAR IN REVIEW | 1 |
| A. Enforcement | 2 |
| 1. Slamming | 2 |
| 2. Cramming | 2 |
| B. Investigation of Billing Practices of Northern Utilities | 3 |
| C. Management Audit of Northern Utilities | 4 |
| D. CAD Initiatives to Improve its Service Quality | 6 |
| III. CONSUMER CONTACTS | 7 |
| A. Consumer Complaints | 8 |
| B. Requests for Information | 12 |
| C. Requests for Winter Disconnection | 13 |
| D. Requests for Exemption | 14 |
| E. Violations of Commission Rules | 14 |
| IV. UTILITY COMPLAINT PROFILES | 14 |
| A. Electric Utilities | 15 |
| 1. Central Maine Power Company | 16 |
| 2. Bangor Hydro-Electric Company | 17 |
| 3. Maine Public Service Company | 18 |
| B. Telephone Utilities | 18 |
| 1. Verizon | 20 |
| 2. AT&T | 21 |
| 3. MCI | 21 |
| 4. OneStar Long Distance | 21 |
| 5. Business Options | 22 |
| 6. Other Slamming Complaints | 23 |
| C. Natural Gas Utilities | 24 |
| D. Water Utilities | 24 |
| E. Water Common Carriers | 24 |
| V. EDUCATION AND OUTREACH | 25 |
| A. Consumer Bulletins | 25 |
| B. Other Outreach Activities | 25 |
| VI. LOOKING FORWARD TO 2004 | 26 |

LIST OF FIGURES

| | |
|---|----|
| Figure 1: CAD Contacts 1999-2003 | 8 |
| Figure 2: Consumer Complaints 1999-2003 | 9 |
| Figure 3: Consumer Complaints (by Utility Type) | 10 |
| Figure 4: Abatement Amounts 1999-2003 | 11 |
| Figure 5: Complaint Rates (by Utility Type) | 15 |
| Figure 6: Electric Utility Complaint Rates | 16 |
| Figure 7: CMP Complaints (by Issue) | 17 |

| | |
|---|----|
| Figure 8: BHE Complaints (by Issue)..... | 17 |
| Figure 9: MPS Complaints (by Issue) | 18 |
| Figure 10: Telecommunications Complaints 1999-2003..... | 19 |
| Figure 11: ILEC Complaint Rates | 20 |
| Figure 12: Verizon Complaints (by Issue) | 21 |
| Figure 13: NUI Complaints (by Issue) | 24 |

LIST OF TABLES

| | |
|---|----|
| Table 1: Abatement Amounts | 10 |
| Table 2: Winter Disconnection Requests | 13 |
| Table 3: Slamming Complaints (by Carrier) | 23 |
| Table 4: Customers Slammed (by Carrier) | 23 |

APPENDIX

Utility Complaints Received in 2003

I. INTRODUCTION

The Maine Public Utilities Commission (the “Commission”) is an independent agency created by the Maine Legislature to ensure safe, adequate, and reliable utility service at rates that are just and reasonable for both consumers and public utilities. The Commission has jurisdiction over electric, gas, water, and telephone utilities, and ferries in Casco Bay. The Commission grants utility operating authority, regulates utility service standards, responds to consumer questions and complaints, monitors utility operations for safety and reliability, ensures the protection of underground facilities, oversees electric energy efficiency programs, and oversees the development and implementation of emergency services communications (E-911).

The Consumer Assistance Division (the “CAD”) is the Commission’s primary link with utility consumers. The CAD is charged with ensuring that consumers, utilities, and the public receive fair and equitable treatment through education, resolution of complaints, and evaluation of utility compliance with consumer protection rules. To promote understanding and prevent disputes, the CAD seeks to educate and inform consumers and utilities about utility-related consumer service issues, and consumer rights and responsibilities. The CAD’s role as an educator has expanded in recent years as the regulated utility industry has changed, particularly with the development of competition in the telecommunications and electric industries.

Duties of the CAD include responding to information requests; investigating and resolving disputes between consumers and utilities; assessing utility compliance with consumer-related statutes, Commission rules, and utility tariffs; bringing enforcement actions for violations of Maine statutes and Commission rules by utilities; participating in Commission rulemakings; screening requests from utilities seeking to disconnect gas or electric service in the winter; and reviewing requests from utilities for waivers to Commission rules. The CAD also assists utilities in designing and operating effective consumer service programs that are fair to both consumers and utilities. This report is a summary of the CAD’s activities in 2003.

II. THE YEAR IN REVIEW

The CAD’s major initiatives in 2003 included the investigation of numerous slamming and cramming complaints and participation in subsequent enforcement actions; participation in the management audit of Northern Utilities and the investigation into its billing practices; and an internal service quality review. Each of these initiatives is described in more detail below.

A. Enforcement

1. Slamming

Consumers in Maine have the right to choose which company provides their local and long distance telephone service. Sometimes a change in service is made without a consumer's knowledge or consent. This practice, known as "slamming," violates state and federal laws, as well as rules of the Maine Public Utilities Commission and the Federal Communications Commission (FCC). The Maine Commission has jurisdiction over slamming complaints involving local service (dial tone) and intrastate interexchange (toll) service. In addition, the CAD began investigating interstate slamming complaints in November 2000 when FCC rules allowed states to become the first point of contact for resolving these complaints.

In 2002, the Commission established an investigation process for reviewing slamming complaints in situations where staff believed an administrative penalty was warranted due to either the large number of complaints received or the egregious nature of the violations. In May 2003, the Commission concluded its first formal investigation into alleged violations of Maine's slamming statute and related Commission consumer protection rules. After investigating more than 100 complaints from consumers who alleged that WebNet Communications, Inc. (WebNet) changed their long distance service without their permission, the Commission documented 55 violations by WebNet of Maine law and Commission rules (Chapter 296—*Selection of Primary Interexchange and Local Exchange Carriers*). The Commission found that WebNet used deceptive tactics to defraud Maine consumers, including representing itself as Verizon, promising free calling cards, promising incentive checks, and altering third-party verification tapes.

As a result of these violations, the Commission imposed an administrative penalty of \$4,555,000 on WebNet. This was the highest penalty ever assessed by the Commission and, while its collection is unlikely given WebNet's financial problems, it nonetheless reflects the seriousness of WebNet's intentional violations of Maine's slamming laws. The Commission also revoked WebNet's authority to operate in Maine, and barred WebNet, any successor entities, and any officers, directors, or other control persons of WebNet from operating a telecommunications company in Maine without an investigation and specific approval from the Commission.

2. Cramming

Maine law and Commission rules (Chapter 297) prohibit service providers from placing charges for services on a customer's local telephone bill without first receiving the customer's authorization, a practice known as "cramming." Service providers most frequently offer billing on a customer's local telephone bill for services such as voice mail, Internet access, calling services, and web page design. Chapter 297 requires billing aggregators (companies providing billing services) and

service providers to register with the Commission before they forward charges to be placed on a customer's local telephone bill. The rule also prohibits a billing aggregator from forwarding charges for a service provider to a local telephone company unless the service provider is registered with the Commission, prohibits local phone companies from billing for unregistered service providers, and provides penalties for violations of the rule.

As a result of its investigation into complaints from 14 consumers about unauthorized charges appearing on their phone bills, the CAD found that a billing aggregator, Integretel, improperly forwarded charges on behalf of four service providers who were not registered with the Commission. The unregistered service providers were Spoonful.Net, Qitel Communications, VoiceNet, Inc., and Switched Access Communications. The charges from these four companies were removed from consumers' local telephone bills to resolve the complaints. In addition, Chapter 297 authorizes the Commission to assess a penalty of up to \$1,000 for each cramming violation. A settlement was reached with Integretel that resulted in an administrative penalty of \$10,000 being paid to resolve the pending violations.

B. Investigation of Billing Practices of Northern Utilities

Between November 13, 2000 and January 28, 2003, the CAD received numerous complaints from customers of Northern Utilities, Inc. (NUI) about their bills. Consumers complained they could not understand their bills and were often asked to pay a large make-up amount for service rendered in months past. The CAD first worked informally with NUI to resolve the complaints. However, when the billing problems continued, the Commission opened a formal investigation in May 2002 to review NUI's billing practices, particularly its use of estimated meter reads, and to resolve the consumer complaints.

The Commission's investigation revealed that many consumers received bills based on estimated reads for service over a period of more than 6 months and in some cases as much as 36 months. Consumers often received large make-up bills once an actual reading was obtained because the estimated usage was significantly less than the actual usage. The make-up bills ranged from \$323.05 to \$32,040.45, with the highest residential bill being \$3,199.17 accrued over a period of 31 months.

The long periods of estimated meter reads were primarily due to the rejection by NUI's billing department of actual meter readings. NUI instead issued bills to these accounts based on computer generated estimated usage. Often, these estimated bills represented a lower amount of gas than the amount actually used. When a bill based on an actual read was eventually issued, it included the previous amounts of usage that were not included in the bills that were based on estimated reads. Between January 1, 2000 and July 31, 2003, NUI issued estimated bills due to the rejection of actual meter readings for 1,409 accounts (1,049 residential and 360 non-residential). In 294 instances, the billing period exceeded 12 months.

A second problem affecting a smaller number of accounts was that NUI did not obtain an actual meter reading for consumers for long periods, in one case for 32 months. NUI failed to obtain an actual meter reading within 12 months for 221 residential consumers in violation of Commission rules, as well as for 73 commercial consumers. Commission rules require a utility to obtain an actual meter reading at least once every 12 months "to verify the accuracy of bills issued on the basis of estimated readings or readings provided by the customer." Commission rules also prohibit a utility from issuing two consecutive estimated bills (except in limited emergency situations or for certain seasonal customers) unless the consumer has been given the opportunity to read the meter.

The investigation was resolved when the Commission approved a stipulation entered into by NUI and the Office of the Public Advocate. The stipulation required NUI to refund or credit over \$230,000 to 1,409 customers (1,049 residential and 360 commercial). The agreement addressed two groups of consumers who received service from NUI between January 1, 2000 and July 31, 2003: 1) consumers who received bills based on estimated reads for a period longer than six months and whose meter was actually read at some point during that period but the actual meter read was rejected by NUI were eligible to receive a full refund for the amount beyond 6 months prior to the issuance of the make-up bill; and 2) consumers who received bills based on estimated reads for a period longer than 12 months whose meter was never actually read were eligible for a full refund of all amounts beyond the 12 months prior to the issuance of the make-up bill.

C. Management Audit of Northern Utilities

As discussed in previous CAD annual reports, the CAD observed persistent problems in 2001 and 2002 with the adequacy of NUI's response to calls from consumers to its credit and collections call center. (NUI's credit and collections call center handles customer calls relating to credit, collection, and disconnection issues.) In addition, consumers told the CAD they could not reach a live person at the call center, or were on hold for an extended period of time before they reached a live person. As discussed in Section B above, the Commission opened an investigation in March of 2002 to review NUI's billing practices and its heavy reliance on estimated bills.

The call center complaints and billing problems raised concerns that other NUI customer-related services and NUI's ability to respond to large-scale outages and other service emergencies might not be adequate. It was suspected that the problems with NUI's performance were tied to successive post-merger cuts in staffing levels and NUI's closure of facilities in Maine. As a result of its concerns, the Commission initiated a management audit of NUI's customer service practices and opened an investigation to implement a service quality incentive plan on May 16, 2002.

The Commission hired an independent consultant, Xenergy, Inc., to conduct a comprehensive management audit of several NUI operational areas, including meter reading and billing, call center operations, and field services. Over a period of nine months, Xenergy collected information from NUI, interviewed numerous employees and managers from various departments within NUI, and toured key operational facilities in Maine, New Hampshire, and Massachusetts.

Xenergy's final Management Audit Report, filed June 11, 2003, recommended that the Commission adopt a Service Quality Incentive Plan (SQP) encompassing all operational areas included in the management audit of NUI. The report also recommended that the SQP include automatic penalties to provide the necessary incentive for NUI to achieve and maintain adequate service performance in all areas.

In 2003, the Office of the Public Advocate, NUI, and Commission staff developed a substantially revised SQP. The revised SQP, which established baseline performance targets and associated penalties in five customer service areas, became effective January 1, 2004. The customer service areas include:

- Field operations (Service Appointments Met on the Scheduled Day & Time and Response to Odor Calls);
- Meter reading (On-Cycle Meter Reads and Long No Reads);
- Billing (Meter Reads Used);
- Contact Center Performance (Emergency Calls, Non-Emergency Calls, Abandoned Call Rate, and Contact Center Busy Outs); and
- Overall Service (Consumer Assistance Division Cases and Customer Satisfaction Measured by Survey Results).

The SQP provides for a maximum annual penalty of \$300,000 if NUI fails to meet the baseline performance targets. Penalties will be determined using a calculation involving the degree by which NUI under-performs the benchmark and the relative weighting of the service area. As a result, greater performance failures will generate greater penalties for NUI. NUI could incur the entire annual penalty amount if there is a drastic failure in one performance area. Penalties will be paid either as a single or multiple service quality performance line-item credit on customers' bills. The SQP will continue until the Commission cancels it, but changes to the SQP may begin January 1, 2005.

In addition, NUI will undertake a Service Appointment Study during 2004 to measure the frequency of NUI-initiated calls to reschedule service appointments and what impact this may have on customers. The Study will be used to determine whether changes should be made to the standard "Service Appointments Met on Scheduled Day and Time."

The SQP also requires NUI to ensure that each menu level of its integrated voice response system explicitly provides the option for customers to reach a live customer service representative in a timely manner within the first four menu options and prior to the “All Other Questions” option.

D. CAD Initiatives to Improve its Service Quality

In 2003, the CAD focused on improving the quality of its work and identified the following areas as priorities for improvement: complaint investigations, written work product, work flow between CAD staff, and consistency in establishing payment arrangements. As a first step, specialization areas were identified for each of the CAD staff who answer calls from consumers. These staff members then began working with senior staff in the CAD to gain a better understanding of the investigation process for their area(s) of expertise (e.g., high bill disputes, line extension disputes, slamming and cramming complaints, etc.). Once training is completed, this process will allow the CAD to more evenly distribute its workload by increasing the number of staff trained in the investigation of more complex issues.

Second, an internal work group was created to review the process used by CAD staff to establish payment arrangements between consumers and their utilities. The goals of the work group were to: 1) determine whether a standardized process could be developed that would ensure consistency among CAD staff; 2) consider how to resolve situations in which consumers repeatedly contact the CAD for assistance because they are unable to pay their bills; and 3) draft an internal process to provide usable guidance to CAD staff.

As part of its review, the payment arrangement work group invited utility representatives and other interested parties to comment on issues identified as contributing factors to the lack of consistency among CAD staff in establishing payment arrangements. The issues included:

- Determining the circumstances under which a new payment arrangement should be negotiated for consumers who repeatedly break their payment arrangements.
- Determining the circumstances under which a down payment should be required, and what is a reasonable amount.
- Determining a reasonable amount for a monthly payment.
- Determining a reasonable length of time for a payment arrangement.
- Determining when the next payment should be due.

The comments received emphasized the problem inherent in developing a standardized process for establishing payment arrangements—the circumstances of each consumer vary to such a degree that there is no “standard” situation. The payment arrangement work group believed that the use of guidelines was a more appropriate method of ensuring consistency among CAD staff rather than development of a standardized process for establishing payment arrangements.

In January 2004, the payment arrangement work group submitted its draft recommendations to the CAD Director. The work group proposed that: 1) an internal policy be adopted setting general guidelines to assist staff in determining both whether the CAD should establish a payment arrangement and how an arrangement should be structured; 2) the CAD Policy Book be updated; 3) regular in-house training be provided to CAD staff on establishing payment arrangements; 4) training be provided to CAD staff on financial assistance; and 5) several changes be made to the CAD’s computer database. The draft report will be distributed for comment to utility representatives and other interested parties who participated in the process.

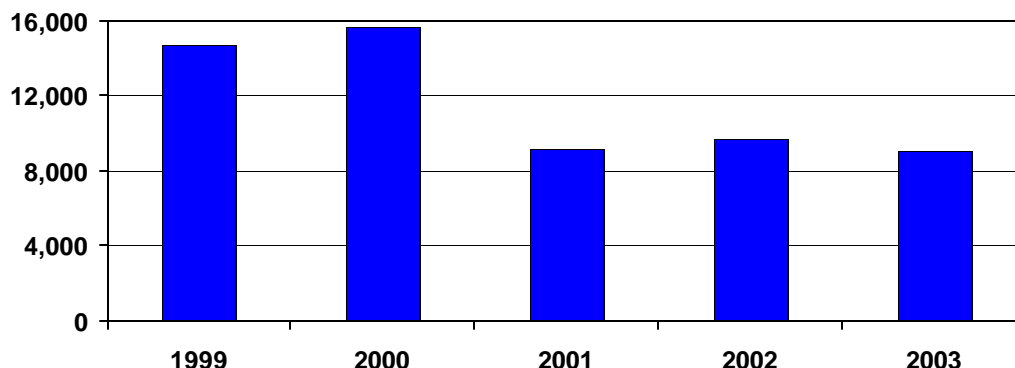
Finally, a training program is being developed to improve the investigative and writing skills of CAD staff and ensure consistency in establishing payment arrangements. The training will focus on identifying what questions to ask customers; improving listening skills; identifying witnesses for enforcement actions; and conducting effective research of Commission laws, rules, terms and conditions, and past case history. It is believed these efforts will improve the efficiency of CAD staff and improve the quality of the CAD’s work in assisting Maine consumers.

III. CONSUMER CONTACTS

The CAD assisted 9,067 consumers in 2003, a 6% decrease from 9,651 consumers assisted in 2002, and comparable to 9,110 consumers assisted in 2001. Consumer contacts included requests for information, requests for assistance from residential and business consumers who had disputes with utilities, and requests by electric and gas utilities for authorization to disconnect consumers during the winter period.

As shown in Figure 1, the number of contacts received in the past three years has been fairly constant. The number of contacts received in 1999 and 2000 was much higher due to the large number of consumer questions about electric restructuring.

Figure 1: CAD Contacts 1999-2003



The CAD receives the majority of its inquiries from consumers over the telephone and strives to answer calls live as opposed to forwarding calls to voicemail. In 2003, over 97% of the calls to the CAD's Consumer Assistance Hotline were answered live. By answering the majority of calls live, many of the complaints received by the CAD were resolved immediately over the phone.

Use of on-line services continues to increase and provides consumers with an alternative to traditional methods to contact the CAD. Consumers can ask the CAD for assistance through the Commission's web site (<http://www.state.me.us/mpuc/CAD/cad.htm>). The web site takes the user through a series of steps to ensure that the CAD will be able to assist in resolving their dispute. The first level informs the user which utilities the Commission regulates, since the CAD is unable to assist consumers with disputes involving utilities it does not regulate. The next level informs users that they must first contact their utility to attempt to resolve their dispute before contacting the CAD. The next level informs the user of the methods available to contact the CAD, and briefly explains the process the CAD will use to investigate the dispute. Finally, if a user contacted their utility but was unable to resolve the dispute, they are routed to the CAD's on-line complaint form.

Consumer complaints entered on the CAD's web site are forwarded via e-mail to the CAD. The CAD received 363 consumer contacts by e-mail in 2003, an increase of 170% over the 134 e-mails received in 2002, and a 400% increase over the 90 e-mails received in 2001. The Commission is in the process of upgrading its web site to make it more user-friendly and up-to-date to increase electronic access to the CAD by consumers.

A. Consumer Complaints

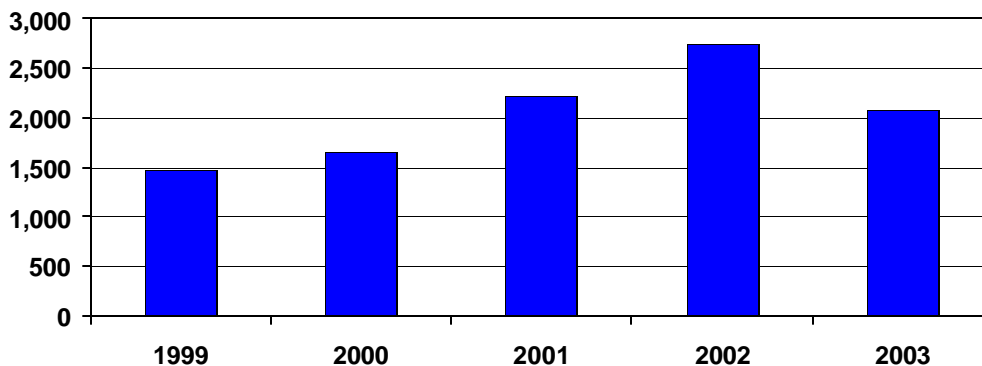
The CAD defines a complaint as a dispute between a utility and a consumer that the consumer has been unsuccessful in resolving with the utility. The CAD attempts to mediate disputes between consumers and their utility whenever possible. Many types of disputes are well suited to mediation, including requests for payment

arrangements, repairs, medical emergencies, and many billing issues. Mediation may involve a three-way call between the consumer, the utility, and the CAD, or may involve the CAD talking with each party separately. Use of mediation to resolve consumer complaints increases efficiency and, in most cases, results in a high degree of consumer satisfaction.

If a complaint received by the CAD cannot be mediated, the CAD notifies the utility of the complaint and requests information needed to reach a resolution. The CAD reviews the utility's response to ensure the actions that led to the complaint were in compliance with Commission rules and the utility's own terms and conditions of operation. The CAD may also seek assistance from other Commission staff to obtain answers to technical questions. After its review, the CAD discusses its findings with the consumer and in many instances is able to reach an agreement between the parties. If an agreement cannot be reached, the CAD has the authority to issue a binding decision directing either the consumer or the utility to take specific actions. The CAD may also find that the resolution initially proposed by the utility was reasonable. Decisions of the CAD can be appealed to the Commission for review.

Complaints Received. The CAD received fewer consumer complaints in 2003 than in 2002. As shown in Figure 2, the CAD received 2,079 complaints in 2003. This is a 24% decrease from 2,734 complaints in 2002, and a 6% decrease from 2,212 complaints in 2001.

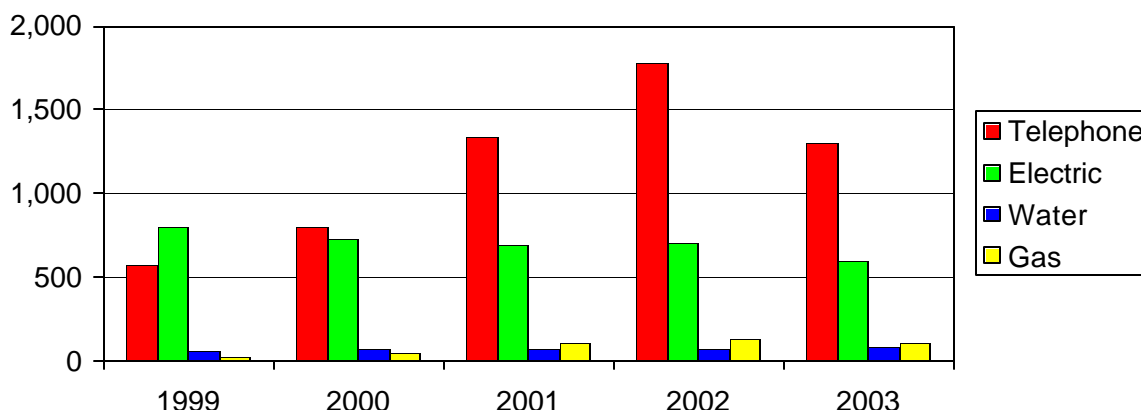
Figure 2: Consumer Complaints 1999-2003



The primary reason for the decrease in complaints received in 2003 was the decline in slamming complaints against telecommunications carriers ("slamming" is when a customer's telecommunications provider is changed without the customer's authorization). Only 239 slamming complaints were received in 2003, compared to 608 in 2002, and 337 in 2001. As shown in Figure 3, telecommunications complaints decreased between 2002 and 2003, breaking the trend of the previous four years. Complaints against electric utilities have been decreasing over the past five years, while complaints against water and gas utilities remain relatively constant.

Details on the types of complaints received against specific utilities are discussed in Section IV, Utility Complaint Profiles.

Figure 3: Consumer Complaints (by Utility Type)



Complaints Resolved. The CAD resolved 2,566 complaints in 2003, 4% more than the 2,461 complaints resolved in 2002, and 137% more than the 1,873 resolved in 2001. The CAD resolved 53% of the complaints received in 2003 within 30 days of receipt, and mediated resolutions in 491 cases. The increase in the number of complaints resolved in 2003 was due to several factors. The reduction in complaints received allowed CAD staff more time to resolve pending cases. Finally, for the first time in its history the CAD had six experienced staff taking calls and resolving complaints.

Abatements. The CAD frequently obtains credits or refunds for consumers as part of its resolution of disputes. As a result of investigations completed in 2003, \$1,169,831 was abated by utilities for 4,653 Maine consumers, the largest amount abated in CAD history. Table 1 shows the breakdown of abatement amounts in 2003 by type of utility.

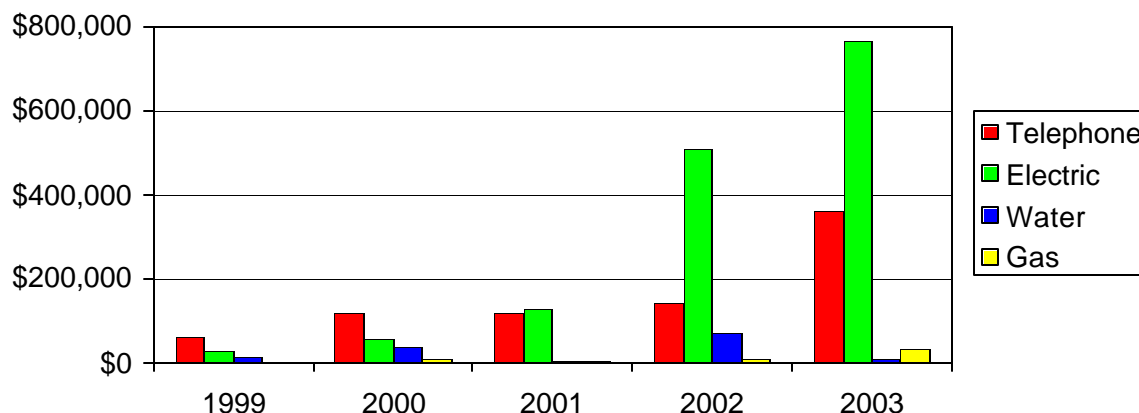
Table 1: Abatement Amounts

| Utility Type | No. of Abatements | Amount Abated |
|----------------|-------------------|--------------------|
| Communications | 1,135 | \$362,719 |
| Electric | 3,288 | \$765,651 |
| Gas | 43 | \$32,922 |
| Water | 187 | \$8,539 |
| Total | 4,653 | \$1,169,831 |

As shown in Figure 4, the amount abated for Maine consumers has increased each of the past five years. In 2002, the CAD assisted 762 consumers obtain

\$731,453 in abatements from utilities, while in 2001 the CAD assisted 468 consumers obtain \$247,951 in abatements.

Figure 4: Abatement Amounts 1999-2003



The dramatic increase in abatements in 2003 can be attributed to several factors. First, during its investigation of several consumer complaints CAD staff discovered that utilities were overcharging customers for certain services, resulting in numerous consumers being owed a significant amount of money. Second, the quality of the investigations performed by CAD staff has improved, particularly consumer complaints involving slamming. Finally, the CAD is better able to track abatements due to a modification of its complaint tracking software.

In the cases in which it was discovered that utilities were overcharging consumers for services, the largest refunds were issued when the CAD directed both Central Maine Power Company (CMP) and Bangor Hydro Electric Company (BHE) to refund consumers who overpaid the Contribution in Aid to Construction (CIAC) tax. The CIAC tax is charged to consumers who pay to construct electric line extensions and then convey ownership of the line to the electric company.

Together, CMP and BHE refunded almost \$650,000 to consumers who paid to build a single phase or polyphase line extension between September 10, 2001 and June 1, 2002. CMP refunded over \$590,000 to 2,947 consumers and BHE refunded over \$58,000 to 283 consumers. The refunds varied based on the cost of the line extension, with \$11,290 being the largest individual refund.

The Augusta Water District (AWD) issued refunds to consumers who were over billed for a reconnection service charge. While a utility may charge a fee when an overdue amount is paid at the time disconnection is attempted, Commission rules limit the fee to \$10—the AWD instead billed \$25 to 258 customers. The CAD discovered the overcharge in November 2003 when the AWD submitted a revised water service disconnection notice for Commission review. The CAD determined that 177 accounts were incorrectly charged the \$25 collection fee between

April 2001 and October 2002 (some more than once) resulting in 258 overcharges totaling \$3,870.

A second reason for the dramatic increase in abatements in 2003 is an improvement in the quality of the CAD's investigations. In particular, the CAD has made significant strides in improving its investigation and resolution of slamming complaints. In 2003, the CAD assisted 508 consumers who believed their telephone service was changed without their permission obtain refunds totaling \$62,766. This is a 62% increase over the \$38,818 refunded to 227 consumers in slamming cases in 2002, and a 242% increase over the \$18,374 refunded to 129 consumers in 2001.

In addition, over the past few years the CAD has sought to make every effort to help consumers even if the CAD does not have clear jurisdiction (such as obtaining a "good will" adjustment for contested interstate or international toll charges) or in situations in which neither the consumer nor the utility has done anything that contradicts Commission rules or the utility's terms and conditions (such as inadvertent toll charges incurred while accessing an internet service provider). In the vast majority of cases, the CAD is able to negotiate a refund to the consumer.

A final factor contributing to the dramatic increase in abatements in 2003 was better tracking in the Commission's complaint tracking system. A software modification implemented in 2003 allowed the CAD to track abatements that could not previously be tracked automatically.

Appeals of CAD Decisions. Both the consumer and the utility have the right to appeal a decision made by the CAD. Appeals of CAD decisions are reviewed by the Commission's Legal Division and then decided by the Commission. In 2003, 16 of the CAD's decisions were appealed, or 0.6% of the cases resolved by the CAD. In 2002, 1.1% of the cases resolved by the CAD were appealed, while 0.5% of the cases resolved in 2001 were appealed. In 2003, the Commission upheld the CAD's decision in 11 cases while one customer's appeal was resolved without review by the Commission. In 2002, the Commission upheld the CAD's decision in 11 cases, remanded one case back to the CAD for further review, and one appeal was withdrawn.

B. Requests for Information

Calls or letters in which the CAD provides information to consumers are tracked separately from consumer complaints, as are requests by electric or gas utilities to disconnect consumers during the winter period (November 15 to April 15). The CAD had 6,988 requests in these categories in 2003.

Consumers requested information from the CAD on utility billing practices and services, ratepayer rights and responsibilities, electric restructuring, electricity conservation, telephone do not call lists, and Dig Safe. Consumers asked the CAD for guidance on resolving disputes with utilities and asked about the types of

assistance available to low-income consumers who had trouble paying their bills. Many consumers also contacted the CAD about utility services not regulated by the Commission, such as cable, wireless, and propane.

C. Requests for Winter Disconnection

It is the Commission's policy that during winter months, when severe weather conditions can pose a threat to health and safety, residential customers of electric and gas utilities should not be disconnected because of their inability to pay the entire amount owed. It is also the Commission's policy that utilities should attempt to enter into payment arrangements with their customers, and that customers must pay a reasonable portion of each utility bill when due during the winter period and avoid accumulation of arrearages that will be difficult to pay on a reasonable schedule during the summer months.

These policies are stated in the preface to the Commission's rules on "winter disconnection," which is the period between November 15 and April 15. During this period, a utility may disconnect service to an occupied dwelling only after it has received authorization from the CAD. However, both Central Maine Power Company and Bangor Hydro-Electric Company have obtained exemptions from this requirement and may disconnect a customer without authorization from the CAD if they are unsuccessful in their attempts to achieve contact with the customer.

As shown in Table 2, the CAD received 532 requests from utilities to disconnect consumers' gas or electric service during the winter of 2002-2003. This is a 42% increase over the 375 requests received during the winter of 2001-2002 and a 49% increase over the 358 requests received during the winter of 2000-2001. The primary reason for the increase in 2002-2003 was because CMP submitted far fewer requests than average during the 2000-2001 and 2001-2002 winter periods.

Of the 2002-2003 requests for winter disconnection, 32% were granted. Requests granted typically involved services abandoned by consumers. Requests to disconnect were denied if a payment arrangement was established for the consumer pursuant to the winter disconnection rule or if payment was made, thereby avoiding the need for disconnection.

Table 2: Winter Disconnection Requests

| Utility | Requests Received | Requests Granted | Requests Denied |
|-------------------------------------|--------------------------|-------------------------|------------------------|
| Bangor Hydro-Electric Company | 0 | 0 | 0 |
| Central Maine Power Company | 438 | 142 | 296 |
| Eastern Maine Electric Cooperative | 68 | 20 | 48 |
| Madison Electric Works | 13 | 1 | 12 |
| Matinicus Plantation Electric Co-op | 13 | 6 | 7 |
| Total | 532 | 169 | 363 |

D. Requests for Exemption

The CAD reviews requests by utilities for exemptions from the Commission's consumer protection rules involving a single consumer while the Commission reviews requests for exemptions involving all or a portion of a utility's service territory. The CAD received 22 exemption requests in 2003, compared to 6 in 2002 and 9 in 2001. Fifteen of the requests received in 2003 involved a utility seeking permission to add a customer's final bill to another customer's account. In 2003, the CAD granted 11 requests, denied 6, and 5 were withdrawn by the utility.

E. Violations of Commission Rules

In 2003, the CAD found that utilities violated the Commission's consumer protection rules in 672 cases. This is a 12% decrease from the 762 consumer complaints with utility violations in 2002.

The majority of the 2003 complaints with violations involved telecommunications carriers. In 62% of these complaints, a carrier violated Chapter 296 (the Commission's slamming rule) by making an unauthorized change in a customer's telecommunications service. In 28% of the complaints, a carrier violated Chapter 292 (the Commission's rule on credit and collections for interexchange carriers) by failing to follow requirements for disconnection of toll service.

IV. UTILITY COMPLAINT PROFILES

This section profiles the performance of Maine utilities with respect to consumer complaints received during the year. Complaints received by the CAD are used to assess the complaint handling performance of the major electric, gas, water, and telephone utilities. In nearly every case, the consumer has already contacted the company about the problem prior to contacting the CAD. The exception is that slamming or cramming complaints are accepted even if the consumer has not attempted to resolve the dispute directly with the utility or the service provider.

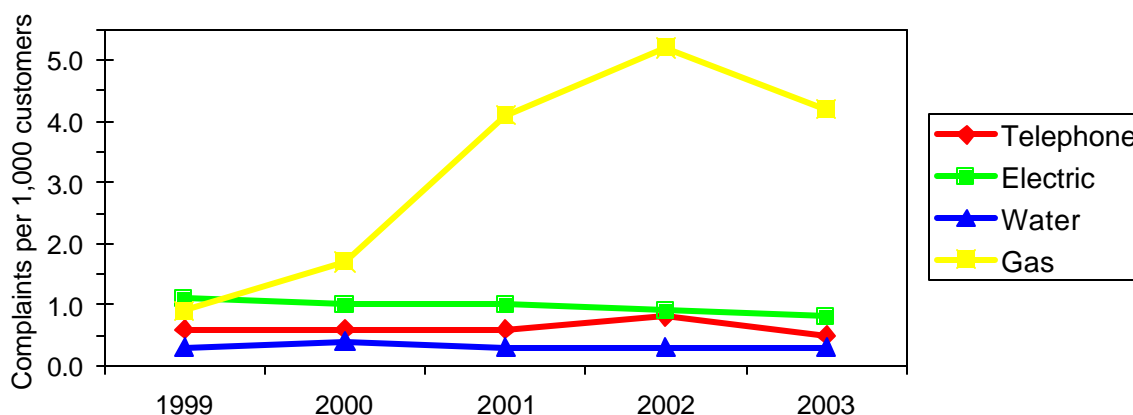
The calculation of a consumer complaint rate (consumer complaints per 1,000 consumers) facilitates the comparison of complaints received between utilities of various sizes. The CAD has found that high consumer complaint rates or significant increases from one year to the next often indicate patterns and trends that should be investigated. Prior to 2001, the CAD used the number of complaints resolved to calculate complaint rates. However, because the number of complaints received more accurately reflects a utility's performance, that number was used to calculate complaint rates starting with the CAD's 2001 report.

This section is organized by industry type. Information is provided on major utilities, as well as smaller utilities with a significant number of consumer complaints. The Appendix is a compilation of complaints received in 2003 against monopoly

utilities, broken down by the issues involved. Complaints against competitive utilities are not included due to the sheer number of utilities involved.

As shown in Figure 5, the complaint rate for natural gas utilities decreased in 2003 after increasing each of the past four years, while the complaint rates for telephone, electric and water utilities have remained relatively constant for the past five years. The complaint rate for natural gas utilities is primarily driven by complaints against Northern Utilities, Inc., which serves over 90% of Maine's natural gas customers. (Note: The telephone complaint rate includes only incumbent local exchange carriers. Complaint rates for competitive local exchange and interexchange carriers have not been calculated.) A discussion of the types of complaints received against each utility type follows.

Figure 5: Complaint Rates (by Utility Type)



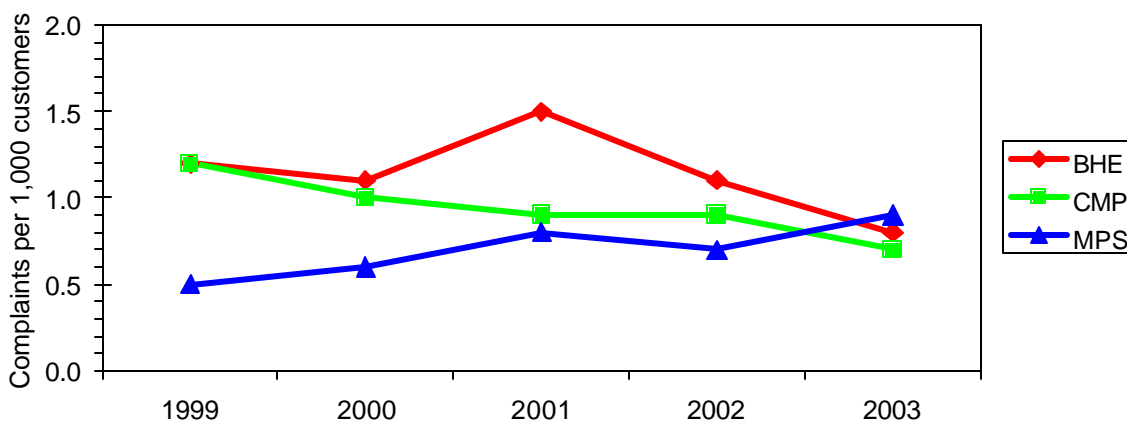
A. Electric Utilities

Thirteen electric utilities provide transmission and distribution services to Maine consumers. Of these, three are investor-owned (Central Maine Power Company, Bangor Hydro-Electric Company, and Maine Public Service Company) and the remainder are consumer-owned. The investor-owned electric utilities serve nearly 96% of Maine's electric consumers, and accounted for nearly 94% of the complaints received against electric utilities in 2003.

The CAD received 561 complaints against electric transmission and distribution utilities in 2003, a 20% decrease from 699 complaints in 2002, and a 19% decrease from 693 complaints in 2001. As shown in Figure 6, the complaint rates for Bangor Hydro-Electric (BHE) and Central Maine Power (CMP) decreased from 2002 to 2003, while the complaint rate for Maine Public Service increased. The decrease in complaint rates for CMP and BHE is most likely due to a performance measure in the alternative rate plan established for each utility that measures the company's performance in resolving consumer complaints.

Additional details on complaints received against the three investor-owned utilities are provided below, while complaint statistics for all electric transmission and distribution utilities are summarized in the Appendix.

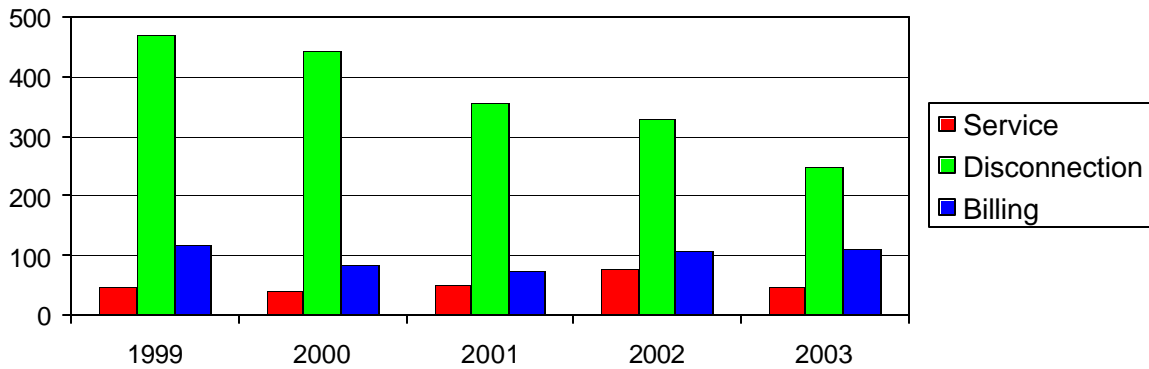
Figure 6: Electric Utility Complaint Rates



1. Central Maine Power Company

In 2003, the CAD received 409 complaints against Central Maine Power (CMP), a 21% decrease from 517 complaints in 2002, and a 15% decrease from 482 complaints in 2001. CMP's complaint rate also decreased from 0.9 complaints per 1,000 consumers in both 2001 and 2002 to 0.7 in 2003.

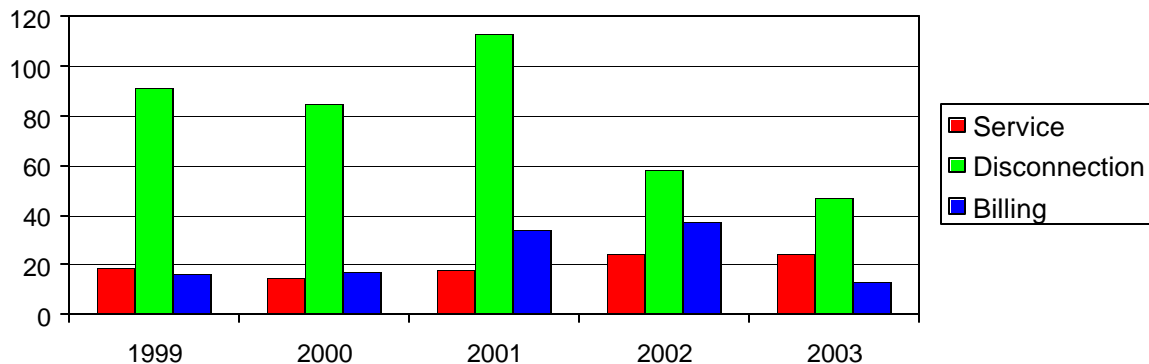
As shown in Figure 7, CMP complaints related to threatened or actual disconnection have decreased each year for the past five years. Service-related complaints decreased in the past year while billing complaints remained about the same. The downward trend in complaints received against CMP may be a reflection of the performance measures established by the Commission in CMP's alternative rate plan established in 2001. One of the performance measures is the number of complaints received by the CAD against CMP. A very challenging goal was set, which CMP has worked hard to attain. The use of this performance measure has focused CMP's attention on providing good customer service and reducing the number of dissatisfied customers who contact the CAD.

Figure 7: CMP Complaints (by Issue)

2. Bangor Hydro-Electric Company

In 2003, the CAD received 85 complaints against Bangor-Hydro Electric Company (BHE), a 29% decrease from 120 complaints in 2002, and a 48% decrease from 165 complaints in 2001. In 2003, BHE's complaint rate was 0.8 complaints per 1,000 consumers compared to a rate of 1.1 in 2002 and 1.5 in 2001.

As shown in Figure 8, BHE complaints related to threatened or actual disconnection have decreased each of the past three years. Billing complaints decreased in the past year while service-related complaints remained about the same. As with CMP, the downward trend in complaints against BHE may be a reflection of the performance measures established by the Commission in BHE's alternative rate plan established in 2002. One of the performance measures is the number of complaints received by the CAD, which BHE has worked hard to attain. The use of this performance measure has focused BHE's attention on providing good customer service and reducing the number of dissatisfied customers who contact the CAD.

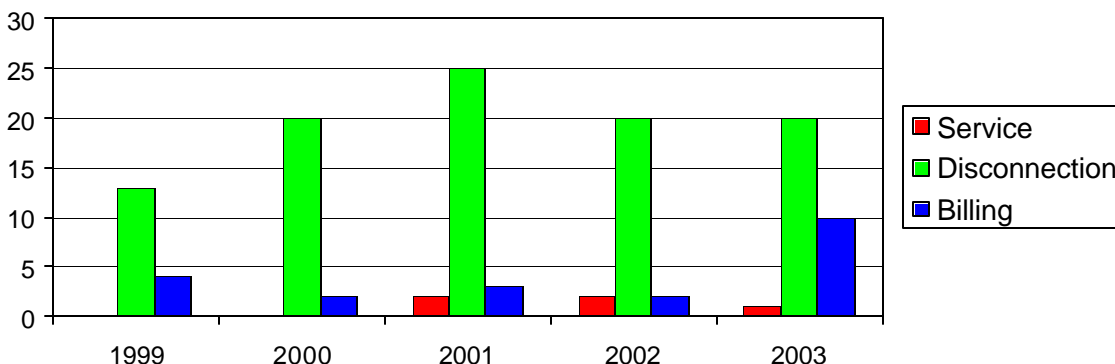
Figure 8: BHE Complaints (by Issue)

3. Maine Public Service Company

In 2003, the CAD received 31 complaints against Maine Public Service Company (MPS), a 29% increase over 24 complaints in 2002, and comparable to 30 complaints in 2001. While MPS has historically had the lowest complaint rate of the investor owned utilities, its complaint rate in 2003 was higher than that of either BHE or CMP. As discussed above, a reason for this may be that both CMP and BHE are under alternative rate plans that contain a performance measure on the number of consumer complaints received by the CAD. MPS is not under an alternative rate plan and therefore does not have a complaint measure. In 2003, MPS's complaint rate was 0.9 complaints per 1,000 consumers, an increase from 0.7 in 2002 and 0.8 in 2001. Since MPS has a smaller customer base than either CMP or BHE, fluctuations in the number of complaints received against MPS result in a more dramatic change in its complaint ratio.

As shown in Figure 9, MPS complaints related to billing increased from two in 2002 to ten in 2003, while complaints related to service and actual or threatened disconnection remained about the same.

Figure 9: MPS Complaints (by Issue)



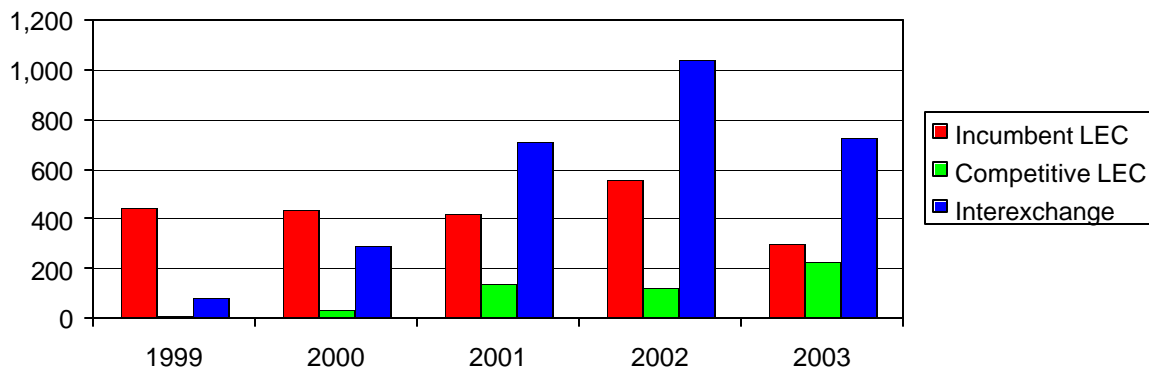
B. Telephone Utilities

There are 23 incumbent local exchange carriers (ILECs) authorized to provide service in Maine. In addition, the Commission has authorized 318 telephone companies to provide in-state interexchange (toll) service and 75 companies to compete in the local exchange market in Maine (62 of these companies provide both local and interexchange service). The CAD received 299 complaints against ILECs in 2003, a 46% decrease from 558 complaints in 2002, and a 29% decrease from 419 complaints in 2001. On the competitive side of the market, the CAD received 951 complaints against carriers providing competitive local exchange service or interexchange service in 2003, an 18% decrease from 1,158 complaints in 2002, and a 12% increase over 847 complaints in 2001.

The decrease in telecommunications complaints was due primarily to a decline in slamming complaints. As mentioned earlier, the CAD received 239 slamming complaints in 2003 compared to 608 in 2002. This decline may be the result of the Commission's increased enforcement efforts or may simply be a lull in the storm. A secondary reason for the decrease in telecommunications complaints was that 2003 was the first full year in which new credit and collection rules for telecommunications carriers were in effect. Major changes included prohibiting ILECs from disconnecting a customer's local service for non-payment of toll charges, and reduced regulation of competitive services. Both factors were expected to reduce the number of complaints against telecommunications carriers.

As shown in Figure 10, complaints against ILECs and interexchange carriers (IXCs) decreased while complaints against competitive local exchange carriers (CLECs) increased in 2003. The increase in CLEC complaints is attributed to the increased competition in the local exchange market.

Figure 10: Telecommunications Complaints 1999-2003

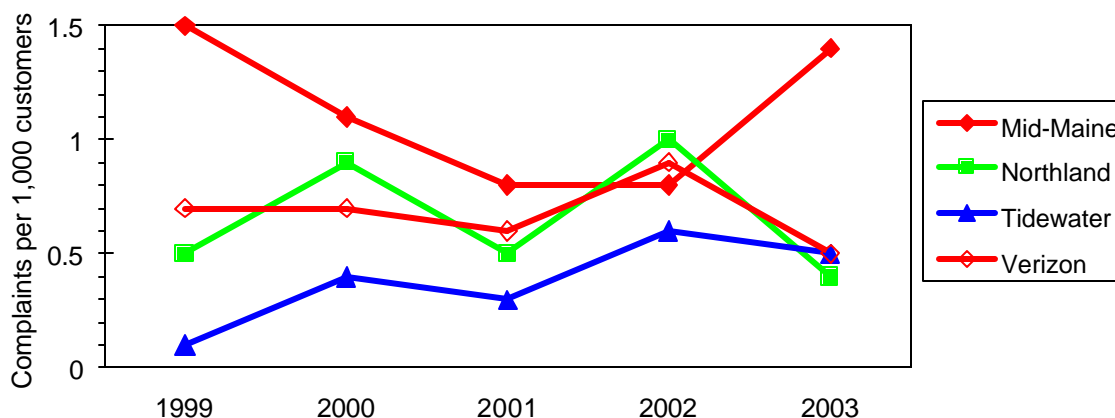


The majority of complaints against ILECs involved the inability of customers to pay their bills (63%). The majority of the complaints against CLECs and IXCs involved disputed charges (44%), slamming (26%), and the inability of customers to pay their bills (21%). Only a few cramming complaints were received in 2003. Complaints from consumers attempting to switch their service from an ILEC to a CLEC increased significantly in 2003. These consumers complained of both installation delays and loss of service, with outages varying from a few hours to several weeks. While the number of consumer complaints resulting from LEC/CLEC transfers was only 2.5% of all telecommunications complaints received in 2003, the CAD spent a disproportionate amount of time resolving them. The CAD believes the primary reason for the service loss or delay was a breakdown in communication between the carriers.

While the CAD takes complaints against all telecommunications carriers, complaint rates are calculated only for ILECs. Figure 11 shows the complaint rates for local exchange carriers against whom the CAD received 6 or more complaints in 2003. Complaint rates for all ILECs other than Verizon can fluctuate widely from

year to year because of their relatively small customer base. For example, Mid-Maine Telephone's complaint rate increased from 0.8 in 2002 (5 complaints) to 1.4 in 2003 (9 complaints).

Figure 11: ILEC Complaint Rates

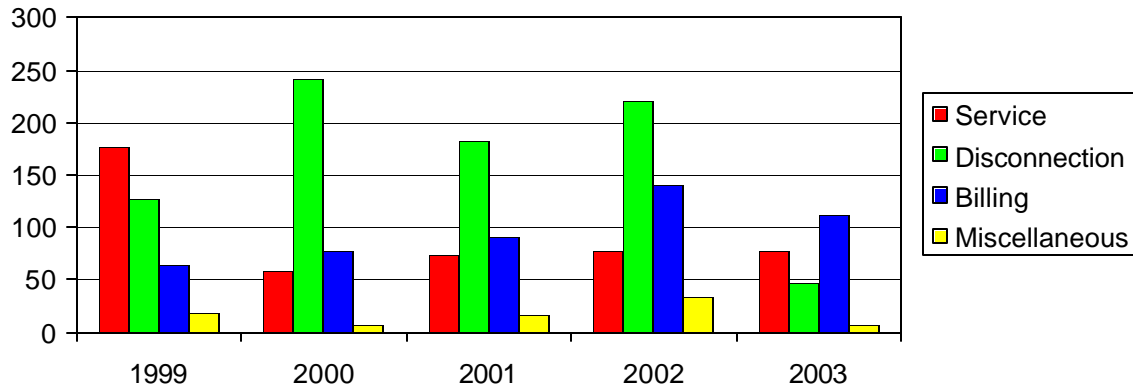


A discussion of the telecommunications carriers against whom the CAD received a significant number of complaints follows.

1. Verizon

In 2003, the CAD received 243 complaints against Verizon, a 49% decrease from 473 complaints in 2002, and a 33% decrease from 363 complaints in 2001. Correspondingly, Verizon's complaint rate decreased in 2003 to 0.5 complaints per 1,000 consumers. Its complaint rate was 0.9 in 2002 and 0.6 in 2001.

As shown in Figure 12, the number of Verizon complaints involving threatened or actual disconnection, billing, and miscellaneous issues decreased from 2002 to 2003, while the number of service complaints has remained about the same for the past three years. As mentioned earlier, the primary reason for the decrease in complaints against local exchange carriers was the implementation of new rules that prohibit the disconnection of local service for non-payment of toll charges.

Figure 12: Verizon Complaints (by Issue)

2. AT&T

In 2003, the CAD received 210 complaints against AT&T, a 20% decrease from 262 complaints in 2002, and a 33% decrease from 314 complaints in 2001. As mentioned earlier, the primary reason for the decrease in complaints against interexchange carriers was the implementation of new rules that reduced the Commission's regulation of competitive services. Nearly 81% of the complaints received in 2003 against AT&T concerned disputed charges, while 16% concerned unauthorized changes in telephone service (slamming).

3. MCI

In 2003, the CAD received 269 complaints against MCI, a 19% increase over 226 complaints in 2002, and a 95% increase over 138 complaints in 2001. The complaints against MCI in 2003 were equally split between MCI's provision of basic service and its provision of interexchange service. The CAD believes the increase in complaints against MCI over the past three years is attributed to MCI's failure to work with consumers to resolve their disputes. This is particularly troubling given that complaints against most telephone utilities have decreased with the implementation of revised credit and collection rules. Nearly 61% of the complaints received in 2003 against MCI concerned disputed charges, while 19% concerned unauthorized changes in telephone service.

4. OneStar Long Distance

In 2003, the CAD received 236 complaints against OneStar, an extraordinary increase over 41 complaints in 2002 and 16 complaints in 2001. Nearly 76% of the complaints against OneStar in 2003 concerned disconnection of service, while 19% concerned unauthorized changes in telephone service. As explained below, the development of competition in the local exchange market has created a whole new set of issues for consumers and CAD staff.

At the start of 2003, OneStar was providing local exchange service, interexchange service, or both to a number of Maine consumers, using services and facilities provided by Verizon. However, OneStar was unable to meet its financial obligations to Verizon and Verizon terminated OneStar's long distance access service. This resulted in OneStar's long distance customers no longer being able to make direct-dialed long distance calls. The method of termination precluded either Verizon or OneStar from placing a recorded message on customer's lines (as required by Chapter 292) informing customers why they could not place a toll call. As a result, the CAD was inundated with calls from OneStar's toll customers because their service was disconnected without notice.

Verizon next advised OneStar and the Commission that it intended to terminate OneStar's local services. This meant that OneStar's local customers would lose their dial tone and ability to dial 911. Since many of the consumers using OneStar's local service were schools, fire and police departments, and municipalities, public safety was a concern. Commission staff worked closely with both Verizon and OneStar to ensure that any termination of local dial tone was done only after customers received the 14 days notice required by Chapter 291. In addition, several days before the actual disconnection CAD staff called critical customers believed to still be with OneStar for local service to inform them of the pending disconnection.

These events highlighted the fact that even though the Commission's regulation of competitive telecommunications services is less restrictive than its regulation of ILECs, the amount of time CAD staff spends in dealing with consumer issues has actually increased commensurate with the increase in competition.

5. Business Options

Between February 2002 and January 2004, the CAD received 184 complaints from Maine consumers regarding unauthorized changes in their preferred toll carrier by Business Options, Inc. (BOI). Most of the consumers said they had never heard of BOI until the charges appeared on their local phone bill or they received a bill directly from BOI. Many recalled speaking with someone about their telephone service but remembered that the person specifically stated he or she worked for Verizon or AT&T and that their rates were being lowered because they paid their bills on time. These consumers, many of whom were elderly, did their best to protect themselves by asking the right questions (e.g., who the caller worked for, whether the call related to changing phone service, etc.), only to be deceived by BOI's marketing personnel. The CAD made findings of slamming in 167 of the consumer complaints. In January 2004, the Commission's prosecutorial staff, which included representatives of the CAD, filed a report on BOI with the Commission asking that an investigation be opened and that the assessment of an administrative penalty be considered along with revocation of BOI's certificate to operate in Maine.

6. Other Slamming Complaints

As mentioned earlier, slamming complaints decreased in 2003 (“slamming” is when a customer’s telecommunications provider is changed without the customer’s authorization). Only 239 slamming complaints were received in 2003, compared to 608 in 2002, and 337 in 2001.

Of the slamming complaints received in 2003, 162 alleged an unauthorized change of both in-state and out-of-state services, 15 alleged an unauthorized change of only in-state service, and 61 alleged an unauthorized change of only out-of-state service. The majority of the complaints were against interexchange carriers. Table 3 lists the carriers against whom the CAD received five or more slamming complaints in 2003.

Table 3: Slamming Complaints (by Carrier)

| Carrier | No. of Complaints |
|------------------------|--------------------------|
| AT&T | 33 |
| Business Options, Inc. | 44 |
| LCR Telecommunications | 28 |
| MCI | 51 |
| OneStar | 18 |
| Sprint | 23 |

For slamming complaints resolved in 2003, the CAD found that 418 customers were slammed. Table 4 lists the carriers against whom the CAD made five or more findings of slamming in 2003.

Table 4: Customers Slammed (by Carrier)

| Carrier | No. of Customers |
|--|-------------------------|
| AT&T | 11 |
| Business Options | 145 |
| LCR Telecommunications | 21 |
| MCI | 11 |
| OneStar | 12 |
| Sprint | 10 |
| WebNet | 61 |
| World Communications Satellite Systems | 117 |

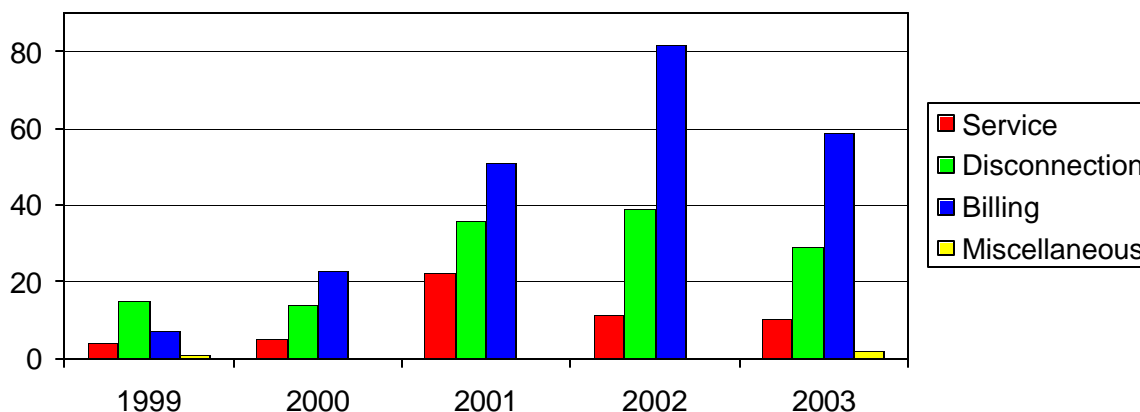
C. Natural Gas Utilities

Three natural gas utilities currently serve portions of Maine: Northern Utilities, Bangor Gas Company, and Maine Natural Gas. Since the CAD has never received complaints against either Bangor Gas or Maine Natural Gas, this section will focus solely on Northern Utilities, Inc. (NUI). NUI serves over 90% of Maine's natural gas consumers.

The CAD received 101 complaints against NUI in 2003, a 23% decrease from 132 complaints in 2002, and a 7% decrease from 109 complaints in 2001. NUI's complaint rate decreased to 4.2 complaints per 1,000 customers in 2003. NUI's complaint rate was 5.3 in 2002 and 4.1 in 2001.

As shown in Figure 13, complaints received against NUI in 2003 decreased in every category from 2002 figures. The reduction in complaints received in 2003 is attributed to the Commission's investigation into NUI's billing practices, the Commission's management audit of NUI, and NUI's efforts to resolve issues resulting from the Columbia Energy Group/NiSource, Inc. merger in 2001.

Figure 13: NUI Complaints (by Issue)



D. Water Utilities

The Commission has approved 156 water utilities to provide service in Maine. In 2003, the CAD received 74 complaints against these utilities. A breakdown of complaints received by utility and issue can be found in the Appendix.

E. Water Common Carriers

The Commission has approved 12 companies to provide public ferry service on Casco Bay. The CAD has never received any complaints against water common carriers.

V. EDUCATION AND OUTREACH

The CAD attempts to increase public awareness of utility issues by issuing consumer bulletins to the news media on regulatory matters and areas of concern. In addition, the CAD's web page (<http://www.state.me.us/mpuc/cad/cad.htm>) includes fact sheets, brochures, consumer bulletins, "tips of the month," consumer complaint statistics, and annual reports. The CAD also provides training to utility staff upon request, and provides guidance to utilities and consumers on the interpretation of Commission laws and rules. As more utility services move toward competition, it is expected the CAD's educational role will continue to increase.

A. Consumer Bulletins

The CAD issued two Consumer Bulletins in 2003 on telecommunication issues. They addressed the use of older calling cards and how consumers can protect themselves from being slammed. Consumer Bulletins are sent to all in-state media services (newspapers, radio, television), social service agencies, and others such as the Congressional delegation and the Governor's office, and are posted on the CAD's website. A brief description of each bulletin follows.

Calls Placed with Older Calling Cards Can be Expensive

Issued May 15, 2003, this bulletin explained why using older calling cards could result in higher charges for consumers. The Commission recommended that consumers contact the telephone company that issued their card and ask for the rates to determine if the calling card is current and included in a rate plan. The Commission also suggested that consumers ask what rate will be charged when they sign up for a new calling card because calling card rates may vary significantly from the rates consumers are accustomed to paying for toll calls made from home.

How to Avoid Being "Slammed"

Issued July 21, 2003, this bulletin provided information to consumers on how to avoid having their service changed without their authorization. The bulletin explained how to "freeze" the selection of the company or companies providing a consumer their local or long-distance service. Although slamming is illegal, it sometimes occurs and the Commission recommended a carrier freeze as the most effective way to prevent it.

B. Other Outreach Activities

Assisting utilities with the interpretation of Commission rules is another component of the CAD's outreach efforts. In 2003, the CAD received 183 calls from utilities seeking assistance. The CAD assists utilities by reviewing their credit and collection procedures to ensure they are reasonable and in compliance with Commission rules, and to ensure that service-related procedures are handled in a

uniform, fair, and reasonable manner. The CAD also responds to utility requests for assistance in dealing with their more complex consumer issues. This often means providing advice on how to proceed with disconnection or a collection action related to accounts with high balances, life support equipment, and such other matters as the failure to repair service lines, bankruptcy issues, master-metered units, and line extensions. In January 2003, the CAD provided training to Northern Utilities staff on credit and collection procedures, payment arrangements, and low-income programs.

In December 2003, the CAD held a four-day workshop on consumer protection strategies for representatives of the Romanian Energy Regional Authority. Topics discussed included disconnection notices, disconnection procedures, winter disconnections, requirements for reconnection, payment arrangements, and master-metered multi-unit dwellings.

VI. LOOKING FORWARD TO 2004

The CAD expects consumer contact levels, including the number of consumer complaints, to remain relatively constant in 2004. (This could change, however, if a large number of slamming or cramming complaints are received, as has happened in previous years.) Contacts and complaints should remain level because changes in the electric industry associated with electric restructuring have subsided; changes associated with the implementation of the Commission's new telecommunications consumer protection rules have occurred and telephone utilities are familiar with the requirements of the rules; and no major rule changes are expected in 2004 that will impact consumer complaints and contacts.

One of the CAD's major projects in 2004 will be the revision of Chapter 81 and Chapter 86, the Commission's consumer protection rules for electric, gas, and water utilities. We expect to remove antiquated sections of these rules and update them to reflect changes in the utility markets (electric in particular) that have occurred since the rules were last revised in 1988. As part of the revision, the winter disconnection process will be reviewed. Under the current process, electric and gas utilities are prohibited from disconnecting a customer's service during the winter period without first obtaining permission from the CAD. The CAD is currently gathering information from other States with cold weather protections to evaluate alternatives to the current rule.

In addition, the CAD will continue to focus on quality improvement in 2004 by implementing recommended internal process changes and providing additional training to CAD staff as discussed earlier in this report.

In summary, the number of consumer complaints received is the primary factor driving the CAD's workload. If incoming complaints remain at the same levels in 2004 as they were in 2003, the CAD hopes to focus its efforts on completing several quality improvement initiatives and updating the Commission's consumer protection rules.